

Today's Story

How Soon Can Egypt's FinTech Tick?

 Mohamed Sobol | Equity Analyst | msobol@shuaasecurities.com



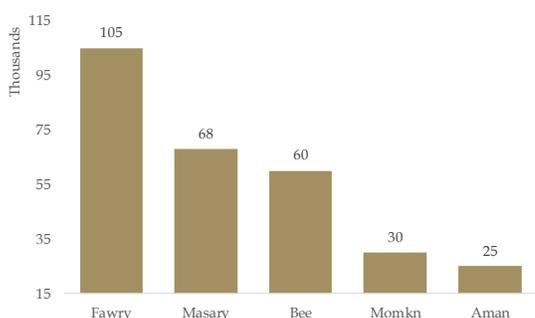
(in Arabic)

The Daily Cast
البث اليومي



- The fintech industry in Egypt:** Nowadays, financial technology (fintech) in Egypt is the hype, with *Euromoney Conferences* dedicating its entire one-day annual Egypt conference, held two days ago, to the topic. But what exactly is fintech? Fintech is any technology, application, or innovative ideas that aim to enhance financial activities. It could also be an alternative to traditional financial services. It includes several services, such as digital cash, e-payment solutions, smart wallets, cryptocurrency, and blockchain technology. While fintech in Egypt is relatively small, it is more prevalent with local e-payment solutions as well as smart wallets. Many funds now in Egypt are being established to financing fintech startups. Moreover, the **Central Bank of Egypt (CBE)** is pushing for moving into “a cashless economy”, targeting to boost electronic payments to represent around 10% of total GDP over the coming three years, up from a current estimate of 2-3%. This step would place the country at the heart of the fintech industry. Additionally, “financial inclusion” in Egypt has been a major theme for the Egyptian government in the last few years, and fintech is an important enabler that can support its implementation.
- How to play fintech on EGX:** There are several EGX-listed companies that either operate in or have indirect exposure to Egypt's fintech industry, mostly offering e-payments solutions. For example, **Fawry (FWRY)**, a newly-listed company, is the biggest player in Egypt's e-payment arena, with more than 100,000 points of sale (POSs). Also, both **MM Group for Industry & International Trade (MTIE)** and **B Investments Holdings (BINV)** have indirect stakes in **Masary** and **Bee**, two major players in Egypt's e-payment industry. Elsewhere, **Aman**, owned by **Raya Holding for Financial Investments (RAYA)**, is another key provider of e-payment solutions in Egypt. Meanwhile, the Egyptian government plans to float state-owned **eFinance**, another fintech facilitating financial transactions involving the government and related institutions. **Going forward, all these companies should benefit from the Egyptian government's efforts to enhance the country's financial inclusion. CBE targets a larger contribution of electronic payments to GDP. Furthermore, Egypt's young fintech industry has a lot of growth potential down the road. But a clear regulatory framework, coupled with greater awareness about the industry, is needed to help this industry grow faster.**

Number of POSs for the e-payment solutions platforms



Source: Company reports.

Listed companies that operate in e-payments

Company Name	Ticker	Market Cap (EGPmn)	TTM P/E (x)
Fawry	FWRY	7,051.82	119.5x
MM Group for Industry & Int. Trade	MTIE	5,568.75	15.2x
B Investments Holdings	BINV	1,120.17	6.0x
Raya Holding for Financial Investments	RAYA	921.92	nm

Source: Company reports.

Top Headlines

Corporate

- Palm Hills Developments (PHDC)** is negotiating with foreign banks to secure EGP1.5-2bn in financing to be injected into the first phase of *Badya* in **Sixth of October City**. ([Arab Finance](#)) Meanwhile, **Sarwa Capital (SRWA)** expects to complete the securitization of a debt portfolio worth EGP1bn for PHDC by the end of this month. ([Al-Borsa](#))
- Obour Land Food Industries (OLFI)** signed a leasing contract with **Catalyst Partners** to finance the purchase of production lines from **Tetra Pak** worth of EGP135mn over five years. ([Mubasher](#))

Non-Corporate

- Core inflation** retreated in August 2019 to -0.4% m/m and +4.9% y/y, down from +0.1% and +5.9% in July, respectively. ([CBE](#))

- **Foreign investments** in Egypt's T-bills stayed almost flat in July, recording about USD16.5bn. (Economy Plus)
- Egypt's **public domestic debt** recorded an increase of c.EGP97bn from c.EGP4.108tn in December 2018 to EGP4.205tn in March 2019. (Economy Plus)
- Egypt hopes to reach an agreement to settle the technical difference with **Ethiopia** over the controversial *Grand Ethiopian Renaissance Dam (GERD)*. The 2% decline in Egypt's Nile water share will turn 200,000 feddans into non-arable lands, said Mohamed Abdel-Atti, the **Egyptian Minister of Water Resources & Irrigation**. ([Egypt Today](#))
- Egypt will begin receiving natural gas from **Israel** by the end of 2019, the **Minister of Petroleum** Tarek El Molla said. Israel will initially ship some 200mn scf of gas per day, an amount that will increase to 500mn scf/d at some point in 2020, he said. ([Enterprise](#))
- The **Minister of Petroleum** said that his ministry is planning a new oil and gas exploration tender in the *Western Mediterranean* in Q1 2020. Another tender covering 8-12 concessions in the *Western Desert, Gulf of Suez* and the *Eastern Desert* is expected by the end of 2019. ([Enterprise](#))
- **Hassan Allam** and **Samcrete** consortium has been awarded the contract to build and operate the USD100mn *6 October Dry Port*, according to **Minister of Transport** Kamel El Wazir. The 100-feddan project, which will comprise cargo zones, customs clearance offices, and multipurpose storage facilities linked to key seaports, will be developed under a public-private partnership (PPP) framework. ([Al-Borsa](#))

Markets

↗	EGX 30	14,956.36	0.46%	↗	EGX 30 TR	5,534.25	0.43%
↗	EGX 70	556.55	0.03%	↗	EGX 100	1,481.80	0.57%
↗	DFMGI	2,892.27	0.44%	↗	ADSMI	5,095.75	0.39%
↘	TASI	7,965.13	(1.12%)	↗	QE Index	10,375.67	0.65%
↗	S&P 500	2,979.39	0.03%	↘	MSCI EM	1,008.13	(0.24%)
↗	Gold	1,492.06	0.42%	↗	Brent Oil	62.83	0.72%

*As of market close, except for commodities at spot price as of 8.35am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** closed higher on Tuesday on the back of gains by **TMGH, HRHO, and SWDY**. In the **UAE**, **DFMGI** rose, driven by **real estate** and **banking** stocks. **ADSMI** followed suit, backed by stronger **banking** and **real estate** stocks. Meanwhile, **Saudi Arabia's TASI** headed south pulled down by its **banking** and **materials** sectors.
- **Global Markets:** **US stocks** ended Tuesday little changed, weighed down by a continuing decline in tech shares. **Oil** prices traded higher on Wednesday after **US crude** stockpiles fell last week by more than twice what analysts had forecast. **Gold** prices were almost flat on Wednesday as investors awaited the **European Central Bank's** meeting where it is widely expected to cut interest rates.

Number of the Day

20%

Cairo Specialized Hospital's contribution to Cleopatra Hospital Co.'s (CLHO) total revenues in Q2 2019.

Today's Quiz

What was the largest contributing segment to CLHO's revenues in Q2 2019?

(Answer located at the end of this newsletter)

Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Dice Sport & Casual Wear	DSCW	EGM	12-Sep	Discuss capital increase
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	15-Sep	Legal Disputes relevant to <i>Porto Tartous</i> project
Canal Shipping Agencies	CSAG	Tender	15-Sep	put up a two-story building for rent in an auction
Maridive & Oil Services	MOIL	EGM	16-Sep	Discuss capital increase
Arab Co for Asset Management & Development	ACAMD	EGM	21-Sep	Reviewing Agenda Items
El Ezz Aldekhela Steel Alexandria	IRAX	EGM	22-Sep	Voting on Capital increase and the acquisition of EFS and ERM
Misr Beni Suef Cement	MBSC	dividends	25-Sep	Ex-date (EGP2.5/share); Last eligible date 24 September
Misr Beni Suef Cement	MBSC	dividends	25-Sep	Payment date (EGP2.5/share)
Egyptian Resorts Co.	EGTS	AGM	25-Sep	Reviewing Agenda Items
Real Estate Egyptian Consortium	AREH	EGM	26-Sep	Discussing stock split
Amer Group Holding	AMER	Lawsuit	26-Sep	Legal disputes relevant to the company
Porto Group Holding	PORT	Lawsuit	26-Sep	Legal disputes relevant to the company
Alexandria Co for Pharmaceuticals	AXPH	AGM	28-Sep	Reviewing Agenda Items
Arab Pharmaceuticals	ADCI	AGM	28-Sep	Reviewing Agenda Items
Alexandria Mineral Oils	AMOC	AGM	28-Sep	Reviewing Agenda Items
Abou Kir Fertilizers & Chemicals	ABUK	AGM	28-Sep	Reviewing Agenda Items
Arabia Investments Holding	AIH	Lawsuit	29-Sep	lawsuit against French Peugeot
Nile Cotton Ginning	NCGC	AGM	29-Sep	Reviewing Agenda Items
United Arab Shipping	UASG	EGM / AGM	3-Oct	Reviewing Agenda Items
Ezz Steel	ESRS	Lawsuit	5-Oct	Steel Billets -Law Suit
Sidi Kerir Petrochemicals	SKPC	Dividends	16-Oct	Payment date (EGP0.25/share)
Egyptian Resorts Co.	EGTS	Lawsuit	26-Oct	Appeal against TDA regarding Sahl Hasheesh
Egyptian Resorts Co.	EGTS	AGM	31-Oct	Reviewing Agenda Items
Misr Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)

Quiz Answer

Surgeries, with a 21% contribution.

Contact Details

☎ +(202) 16331

📍 SHUAA Securities Egypt
The 47th Building, Plot No. 47
Third Floor, 302
District No. 1, City Center
New Cairo, Egypt

Analyst Certification

We, **analysts mentioned in this document**, employed with SHUAA Securities Egypt, and authors to this document, hereby certify that all the views expressed in this research report accurately reflect our views about the subject issuer(s) or security(ies). We also certify that no part of our compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) expressed in this report. Also, we certify that neither ourselves nor any of our close relatives hold or trade into the subject securities.

Head of Research Certification

I, **Amr Hussein Elalfy**, Head of Research of SHUAA Securities Egypt, confirm that I have vetted the information and all the views expressed by the analysts in this document about the subject issuer(s) or security(ies). I also certify that the authors of this document, has not received any compensation directly related to the contents of the document.

Disclaimer

This document has been issued by SHUAA Securities Egypt for informational purposes only. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment or subscribe to any investment management or advisory service. SHUAA Securities Egypt has based this document on information obtained from sources it believes to be reliable. It makes no guarantee, representation or warranty as to its accuracy or completeness and accepts no responsibility or liability in respect thereof or for any reliance placed by any person on such information. Accordingly, no representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by SHUAA Securities Egypt or by any of its respective officers, employees, agents or affiliates in relation to the accuracy, completeness or fairness of the information or opinions contained herein or any other written or oral information made available to any interested party or its advisers and any such liability is expressly disclaimed. All opinions expressed herein are subject to change without notice. This document may not be reproduced or circulated without the prior written consent of SHUAA Securities Egypt. SHUAA Securities Egypt is regulated by the Financial Regulatory Authority under license number 91.

Issuer of Report

SHUAA Securities Egypt

Website: www.shuaasecurities.com